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FISCAL IMPACT STATEMENT

LS 7468

BILL NUMBER: HB 1573

NOTE PREPARED: Jan 9, 2013

BILL AMENDED:

SUBJECT: Sewer and Storm Water Fees Incurred by Tenants.

FIRST AUTHOR: Rep. Smith V

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill has the following provisions:

It provides that if:

- (1) property served by municipal sewage or storm water works is occupied by a tenant; and
- (2) either the property owner or tenant submits to the entity assessing user fees for the property a rental agreement, a lease, or a contract that:
 - (A) is executed by the property owner and the tenant;
 - (B) identifies the tenant by name; and
 - (C) indicates that the tenant is responsible for paying the user fees for the property;

the assessing entity shall establish or continue service to the property in the name of the tenant and shall ensure that the account or other customer or billing records for the property are in the name of the tenant, subject to any requirement for a deposit, or to any requirement to ensure the creditworthiness of the customer, that the assessing entity may lawfully impose.

The bill provides that a lien does not attach for user fees assessed against real property occupied by a tenant if either of the following applies:

- (1) The assessing entity:
 - (A) has received a rental agreement, a lease, or a contract indicating the tenant is responsible for paying the user fees; and
 - (B) maintains the account or other customer or billing records for the property in the name of the tenant.

(2) The account or other customer or billing records for the property maintained by the assessing entity otherwise indicate that:

- (A) the property is occupied by someone other than the owner; and
- (B) the person occupying the property is responsible for paying the user fees assessed with respect to the property.

The bill requires the assessing entity to release:

- (1) any lien filed with the county recorder for user fees assessed against real property occupied by a tenant; and
- (2) delinquent user fees incurred by the tenant responsible for paying the fees; upon receipt of a verified demand in writing from the property owner.

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The bill will have indeterminate fiscal impact on the collection of delinquent user fees charged by municipal sewer utilities and storm water works.

To the extent that there may be costs to attach a lien and foreclose on the lien, the bill could reduce costs by removing this option from certain properties. If the cost of collecting from the tenant responsible for paying the fees is more costly than the lien process, collection costs could increase. Also, if the number of successful collections decreases as a result of not being able to the user fees, penalty, and service charges on the tax roll or attach a lien on the property, bad debt expense could increase.

Additionally, the county recorder may incur expenses for releasing a lien without charging a fee. Any increase in costs for the recorder will depend on the number of liens that need to be released.

Under current law, the delinquent user fees, penalty, and service charges are included in the property tax certify by the county treasurer to the county auditor for collection in the manner that delinquent property tax is collected. A lien may be attached to a property for these amounts, regardless of who occupies the property. [Some of the procedures are different for a nonowner occupied property, however.] The lien may be foreclosed to satisfy the fees, penalties, and reason attorney's fees in certain situations.

Under the bill, in certain circumstances when a tenant occupies a property, the delinquent user fees, penalty, and service charges are taken off the tax roll and a lien may not be attached to the property. However, the utility may still pursue collection of the delinquent user fees from the tenant, (which is not specifically addressed in the bill).

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Municipal sewer utilities and storm water works, counties.

Information Sources:

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